SECOND QUARTER REPORT

For the six months ended June 30, 2008

SaskPower

OUR STRATEGIC DIRECTION

VISION:

People and innovation...powering Saskatchewan to a bright future

MISSION:

Safe, reliable and sustainable power to our customers

ABOUT US:

As the principal supplier of electricity in Saskatchewan, SaskPower serves more than 454,000 customers and manages $4.4 billion in assets. We have over 2,500 permanent fulltime employees located in 71 communities. Our company operates three coal-fired power stations, seven hydroelectric stations, four natural gas stations and two wind facilities with an aggregate generating capacity of 3,214 megawatts (MW). SaskPower also has purchase agreements with the Meridian Cogeneration Station, Cory Cogeneration Station, SunBridge Wind Power Project and NRGreen Kerrobert and Loreburn Heat Recovery Projects. Total available capacity is 3,673 MW. SaskPower maintains more than 155,000 kilometres of power lines, 52 high voltage switching stations and 176 distribution substations. We also operate three wholly-owned subsidiaries – SaskPower International, NorthPoint Energy Solutions and SaskPower Shand Greenhouse.

FINANCIAL HIGHLIGHTS AND OPERATING STATISTICS

Financial Highlights

	Three months ended June 30			Six months ended June 30		
(in millions)	**2008**	2007	Change	**2008**	2007	Change
Revenue	**$ 357**	$ 345	$ 12	**$ 737**	$ 716	$ 21
Operating costs [1]	**330**	332	(2)	**674**	672	2
Operating income [1]	**27**	13	14	**63**	44	19
Net income (loss)	**59**	(4)	63	**130**	39	91
Dividends	**8**	17	(9)	**24**	39	(15)
Capital expenditures	**124**	58	66	**186**	107	79
Long-term debt	**2,477**	2,238	239	**2,477**	2,238	239

Operating Statistics

	Three months ended June 30			Six months ended June 30		
	2008	2007	Change	**2008**	2007	Change
Saskatchewan electricity sales (GWh)	**4,298**	4,216	82	**9,098**	8,935	163
Exports (GWh)	**158**	346	(188)	**219**	491	(272)
Electricity trading (GWh)	**665**	624	41	**1,040**	1,071	(31)
Total electric sales (GWh)	**5,121**	5,186	(65)	**10,357**	10,497	(140)
Generating capacity (net MW)	**3,673**	3,668	5	**3,673**	3,668	5
Peak load (net MW)	**2,762**	2,584	178	**3,016**	2,969	47
Customers	**454,760**	446,594	8,166	**454,760**	446,594	8,166

[1] Operating costs and operating income are non-GAAP measures, whose nearest GAAP measures are total expense and net income respectively. Operating costs and operating income provides management and shareholders with measurements of operating performance which are readily comparable from period to period. Refer to the Non-GAAP Measures section on page 10 for further discussion of these items.

To provide feedback or request additional copies of this Quarterly Report, please visit our website or contact SaskPower Communications and Public Affairs by phone (306-566-3170) or fax (306-566-2548).

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) highlights the primary factors that have an impact on the financial results and operations of Saskatchewan Power Corporation (SaskPower; the Corporation). It should be read in conjunction with the SaskPower unaudited interim consolidated financial statements and supporting notes for the six months ended June 30, 2008. These interim financial statements have been prepared in accordance with the Canadian Institute of Chartered Accountants (CICA) section 1751, "Interim Financial Statements." The SaskPower Audit and Finance Committee of the Board of Directors has approved the interim financial statements.

The MD&A contains forward-looking statements based on the Corporation's estimates and assumptions concerning future results and events. Due to the risks and uncertainties inherent in any forecasted outlook, the actual results of the Corporation could differ materially from those anticipated. These risks and uncertainties include natural gas prices; coal and hydro availability; weather; economic conditions; number of customers; and market conditions in other jurisdictions.

Financial Results

	Three months ended June 30			Six months ended June 30		
(in millions)	**2008**	2007	Change	**2008**	2007	Change
Revenue						
Saskatchewan electricity sales	**$ 327**	$ 319	$ 8	**$ 692**	$ 672	$ 20
Exports	**12**	17	(5)	**16**	26	(10)
Net sales from electricity trading	**6**	-	6	**6**	-	6
Other revenue	**12**	9	3	**23**	18	5
Total revenue	**$ 357**	$ 345	$ 12	**$ 737**	$ 716	$ 21
Operating costs						
Fuel and purchased power	**131**	102	29	**269**	235	34
Realized natural gas risk management activities	**(7)**	3	(10)	**(5)**	5	(10)
Operating, maintenance & administration	**102**	113	(11)	**204**	213	(9)
Depreciation, finance charges & taxes	**104**	114	(10)	**206**	219	(13)
Total operating costs [1]	**330**	332	(2)	**674**	672	2
Operating income [1]	**$ 27**	$ 13	$ 14	**$ 63**	$ 44	$ 19
Unrealized natural gas risk management activities	**32**	(17)	49	**67**	(5)	72
Net income (loss)	**$ 59**	$ (4)	$ 63	**$ 130**	$ 39	$ 91

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Highlights

Second Quarter

The Corporation recorded operating income of $27 million in the second quarter of 2008. This was an increase of $14 million from the second quarter of 2007. The quarter-over-quarter increase was the result of a $12 million improvement in revenue and a $2 million decrease in operating costs.

The $12 million improvement in revenue was attributable in part to an $8 million increase in Saskatchewan electricity sales. The increase in revenue was due to higher electricity sales volumes during the quarter driven mainly by increases in the residential and oilfield sectors. There was also a $6 million increase in electricity trading revenue as a result of higher average sales prices which increased from $55/megawatt hour (MWh) in the second quarter of 2007 to approximately $70/MWh in the second quarter of 2008. There was also an increase in the trading volumes of approximately 41 gigawatt hours (GWh) over the second quarter of 2007.

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The $12 million improvement in revenue was attributable in part to an $8 million increase in Saskatchewan electricity sales. The increase in revenue was due to higher electricity sales volumes during the quarter driven mainly by increases in the residential and oilfield sectors. There was also a $6 million increase in electricity trading revenue as a result of higher average sales prices which increased from $55/megawatt hour (MWh) in the second quarter of 2007 to approximately $70/MWh in the second quarter of 2008. There was also an increase in the trading volumes of approximately 41 gigawatt hours (GWh) over the second quarter of 2007.

Total operating costs for the second quarter of 2008 decreased $2 million compared to the same period in 2007. Fuel and purchased power costs were up $29 million due to an unfavourable change in the fuel mix caused by lower hydro generation. Hydro generation accounted for 32% of the Corporation's generation in the second quarter of 2007 compared to only 24% in the second quarter of 2008. The drop in hydro generation was replaced primarily with higher-cost natural gas generation and imports. The unfavourable fuel and purchased power variance was more than offset by decreases in other cost categories. Realized natural gas risk management activities improved $10 million in the quarter as the Corporation benefited from the settlement of natural gas hedges at rates below the market price. Finance charges decreased $11 million as a result of additional debt retirement fund earnings and a decrease in interest charges as a result of the Corporation refinancing a portion of its debt at a lower average coupon rate. There was also an $11 million decrease of operating, maintenance and administration (OM&A) costs during the quarter resulting from lower clean coal feasibility study costs and from a reduction in the number of maintenance overhaul days.

The Corporation reported $32 million of unrealized market value gains on its natural gas risk management activities in the second quarter compared to a $17 million loss during the second quarter of 2007. The unrealized gains were the result of a rise in the forward price of natural gas. Net income, including unrealized natural gas risk management activities, was $59 million in the second quarter of 2008 compared to a loss of $4 million during the same period in 2007.

Year-to-Date

Operating income was $63 million in the first six months of 2008 compared to $44 million during the same period of 2007. The year-to-date increase in operating income was the result of a $21 million improvement in revenue partially offset by a $2 million increase in operating costs.

The $21 million improvement in revenue was largely attributable to a $20 million increase in Saskatchewan electricity sales due to higher electricity sales volumes. This was driven by significant increases in the residential and oilfield sectors.

Total operating costs increased $2 million compared to the same period in 2007. This was due to a $34 million increase in fuel and purchased power costs, resulting primarily from an unfavourable change in the fuel mix. Hydro accounted for 21% of total generation during the first half of 2008 compared to 25% during the first half of 2007. The lower hydro availability was replaced with natural gas generation and imports which are relatively more expensive fuel sources. The increase in fuel and purchased power was partially offset by decreases in all other cost categories. Realized natural gas risk management activities improved $10 million in the period as the Corporation benefited from the settlement of natural gas hedges at rates below the market price. Finance charges decreased $15 million due to higher debt retirement fund earnings and lower finance charges as a result of the Corporation refinancing some of its debt at more favourable interest rates. There was also a $9 million decrease in OM&A in the first half of 2008 as a result of a decrease in the number of overhaul days and a decline in clean coal feasibility study costs.

The Corporation reported $67 million of unrealized market value gains on its natural gas risk management activities in the first half of 2008 compared to a $5 million loss over the same period in 2007. The unrealized gains are the result of an increase in the forward price of natural gas. Net income, including unrealized natural gas risk management activities, was $130 million in the first six months of 2008 compared to $39 million during the same period in 2007.

Outlook

Forecasted operating income for 2008, excluding unrealized natural gas risk management activities, is expected to be $97 million, a $54 million decrease from 2007. Operating income is expected to deteriorate in the second half of 2008 largely due to an increase in fuel and purchased power costs. This increase in cost is expected to be the result of significantly higher natural gas prices. In the first half of 2008, SaskPower issued gas at a cost of approximately $7.00 per gigajoule (GJ) as the Corporation took advantage of cheaper natural gas in inventory and relatively less expensive market prices for natural gas. In the second half of 2008, natural gas costs are expected to average $10.00 / GJ as a result of significantly higher market prices. These earnings expectations are subject to a number of variables including: natural gas prices; coal and hydro generation availability; weather; economic conditions; number of customers; and market conditions in other jurisdictions.

Total capital expenditures for 2008 are expected to be $535 million, up $255 million from the $280 million spent in 2007. This includes $145 million invested towards 400 MW of new generation as well costs to refurbish Poplar River Power Station Unit #1, upgrade various transformers and transmission lines, and connect new customers to SaskPower's grid.

Revenue

Saskatchewan electricity sales

(in millions)	Three months ended June 30 2008	2007	Change	Six months ended June 30 2008	2007	Change
Saskatchewan electricity sales	**$ 327**	$ 319	$ 8	**$ 692**	$ 672	$ 20

Revenue from Saskatchewan electricity sales was $327 million in the second quarter of 2008, up $8 million from the same period in 2007. Saskatchewan sales for the six months ending June 30, 2008, were $692 million, up $20 million from the first six months of 2007. The year-to-date rise in Saskatchewan sales was primarily due to the increase in electricity sales volumes as a result of increased sales to the residential and oilfield sectors. Sales volumes are driven by general economic conditions, number of customers and weather. In the first six months of 2008, electric sales volumes to Saskatchewan customers were 9,098 GWh, up 163 GWh from the first six months of 2007.

SaskPower also received six months of additional revenue in the first half of 2008 – compared to five months in the same period of 2007 – as a result of the 4.3% rate increase implemented on February 1, 2007.

Exports

(in millions)	Three months ended June 30 2008	2007	Change	Six months ended June 30 2008	2007	Change
Exports	**$ 12**	$ 17	$ (5)	**$ 16**	$ 26	$ (10)

Exports include the sale of SaskPower's surplus generation to other regions in Canada and the United States. Export pricing is not subject to the rate review process and is priced by the external market. Export sales volumes are dependent on surplus SaskPower generation, market conditions in other jurisdictions and transmission availability.

Exports decreased from $17 million in the second quarter of 2007 to $12 million in the second quarter of 2008. Year-to-date export sales were $16 million in 2008, compared to $26 million the previous year. This decrease in revenue was primarily due to lower sales volumes as a result of increased domestic load and transmission restrictions that limited the availability to export. Export sales volumes decreased 272 GWh during the first six months of 2008, compared to the first six months of 2007. This decline in volumes was partially offset by an increase in the average export sales price which was approximately $75/MWh in the first half of 2008. This compares to a price of approximately $53/MWh in the same period of 2007.

Net sales from electricity trading

(in millions)	Three months ended June 30 2008	2007	Change	Six months ended June 30 2008	2007	Change
Electricity trading revenue	$ 41	$ 36	$ 5	$ 69	$ 65	$ 4
Electricity trading costs	(37)	(35)	(2)	(63)	(64)	1
Electricity trading market value gains (losses)	2	(1)	3	-	(1)	1
Net sales from electricity trading	$ 6	$ -	$ 6	$ 6	$ -	$ 6

Electricity trading activities, performed by SaskPower's subsidiary NorthPoint Energy Solutions Inc., include the purchase and resale of electricity and other electricity-related commodities and derivatives from regions outside of Saskatchewan.

Electricity trading revenues were $41 million in the second quarter of 2008 compared to $36 million in the second quarter of 2007 and $69 million in the first half of 2008 compared to $65 million in the first half of 2007. The year-to-date increase was due to higher average sales prices which increased from approximately $59/MWh in the first six months of 2007 to approximately $72/MWh in the first six months of 2008. This increase was partially offset by a 31 GWh decline in trading volumes largely as a result of fewer market opportunities in the Midwest Independent System Operator (MISO) and the New York Independent System Operator (NYISO) markets.

The gross margin, or net sales after deducting related electricity trading costs, was $6 million in the second quarter and first six months of 2008 – and nil in the second quarter and first six months of 2007.

Other revenue

(in millions)	Three months ended June 30 2008	2007	Change	Six months ended June 30 2008	2007	Change
Other revenue	$ 12	$ 9	$ 3	$ 23	$ 18	$ 5

Other revenue was $12 million in the second quarter of 2008, compared to $9 million during the same period in 2007, and rose from $18 million in the first six months of 2007 to $23 million in the first six months of 2008. This increase was primarily due to additional revenues received from the sale of flyash; higher gas and electrical inspection revenue; and additional earnings from the MRM equity investment.

Operating Costs

Fuel and purchased power

(in millions)	Three months ended June 30 2008	2007	Change	Six months ended June 30 2008	2007	Change
Fuel and purchased power	$ 131	$ 102	$ 29	$ 269	$ 235	$ 34

SaskPower's fuel and purchased power costs include the fuel charges associated with the electricity generated from SaskPower-owned facilities, electricity purchased through power purchase agreements, as well as electricity imported from markets outside Saskatchewan. This electricity is used to serve the Corporation's Saskatchewan customers, with surplus electricity being sold to markets outside the province when favourable conditions exist.

SaskPower's fuel cost management strategy focuses on the economic dispatch of the generating units that bring the lowest incremental cost units on stream first. In general, this means maximizing hydro and coal generation, which have the lowest incremental cost per unit of generation. Hydro generation is dependent upon water levels at the Corporation's hydro facilities while coal generation is a product of the availability of the Corporation's coal plants. Wind generation – which represents SaskPower's lowest incremental cost of electricity – cannot be dispatched on a planned basis, as it is dependent upon wind conditions.

Total fuel and purchased power costs of $131 million in the second quarter, and $269 million in the first half of 2008, were up $29 million and $34 million respectively from the same periods in 2007. The increase in fuel and purchased power was largely due to an unfavourable change in the fuel mix.

The fuel and purchased power mix is the relative proportion that each fuel source contributes to our total fuel supply. The more energy that is generated from lower incremental cost units such as hydro, coal, and wind, the more favourable the impact on fuel and purchased power costs. Year-to-date, the Corporation's hydro generation was down from the same period during 2007. Hydro accounted for only 21% of total generation during the first half of 2008 compared to 25% during the first half of 2007. The lower hydro availability was replaced with natural gas generation and imports which are relatively more expense fuel sources.

In addition to the fuel mix, the other factors that impact fuel and purchased power costs are changes in price and volume. These factors did not have a significant impact on the increase in fuel costs during the first six months of 2008. Total generation and purchased power in the first six months of 2008 was 10,261 GWh, a slight decrease of 35 GWh compared to the same period in 2007. Fuel and purchased power prices were also relatively neutral as increases in the average price of gas and coal were offset by decreases in the cost of imports.

Realized natural gas risk management activities

(in millions)	Three months ended June 30 2008	2007	Change	Six months ended June 30 2008	2007	Change
Realized natural gas risk management activities	$ (7)	$ 3	$ (10)	$ (5)	$ 5	$ (10)

Natural gas risk management activities represent the financial impact of the Corporation's natural gas hedging program. SaskPower's current natural gas hedging program seeks to hedge 40% of SaskPower's exposure to natural gas for the up coming year. This strategy is intended to partially insulate the Corporation from short-term fluctuations in the price of natural gas.

In the first six months of 2008, approximately 7 million gigajoules (GJs) of hedges related to SaskPower's natural gas consumption settled resulting in $5 million in realized gains for the Corporation. The gains were due to rising natural gas prices that pushed the market price of natural gas above the Corporation's hedged rate. As a result, SaskPower received payment on these hedges for the difference between the market price of natural gas and the hedged rate.

Operating, maintenance and administration (OM&A)

	Three months ended June 30			Six months ended June 30		
(in millions)	**2008**	2007	Change	**2008**	2007	Change
OM&A	**$ 102**	$ 113	$ (11)	**$ 204**	$ 213	$ (9)

OM&A expense was down $11 million in the second quarter of 2008, compared to the second quarter of 2007, and $9 million lower in the first half of 2008 over the same period in 2007. The year-to-date decrease was primarily the result of a decrease in materials and external services largely due to a decline in overhaul work. In the first six months of 2007, the Corporation's generation stations experienced about 380 days of maintenance compared to only approximately 170 days in the first half of 2008. A major factor in the reduction in maintenance activity was the completion of the 100 day capital rebuild of Poplar River Unit 1 at a cost of $140 million. There was also a decline in clean coal feasibility study costs in the first half of 2008 compared to the same period in 2007.

Depreciation

	Three months ended June 30			Six months ended June 30		
(in millions)	**2008**	2007	Change	**2008**	2007	Change
Depreciation	**$ 57**	$ 55	$ 2	**$ 112**	$ 109	$ 3

Depreciation expense was $57 million in the second quarter of 2008, compared to $55 million in the second quarter of 2007, and $112 million in the first half of 2008 compared to $109 million in the first half of 2007. The rise in depreciation expense was primarily attributable to an increase in the asset base as a result of ongoing capital expenditures.

Finance charges

	Three months ended June 30			Six months ended June 30		
(in millions)	**2008**	2007	Change	**2008**	2007	Change
Finance charges	**$ 40**	$ 51	$ (11)	**$ 78**	$ 93	$ (15)

In the second quarter of 2008, finance charges were $40 million, a decrease of $11 million compared to the second quarter of 2007. In the first six months of 2008, finance charges were $78 million, a decrease of $15 million over the first half of 2007. The decrease in finance charges was due in part to a $9 million improvement in debt retirement fund earnings and market value gains in 2008 compared to 2007. In addition, interest expense was down $6 million in the first half of 2008 compared to 2007 as a result of the refinancing of a portion of SaskPower's long-term debt at more favourable interest rates. There was also a $1 million increase in interest capitalized in the first half of 2008.

Taxes

	Three months ended June 30			Six months ended June 30		
(in millions)	**2008**	2007	Change	**2008**	2007	Change
Taxes	**$ 7**	$ 8	$ (1)	**$ 16**	$ 17	$ (1)

Corporate capital tax, grants-in-lieu of taxes and other taxes were down $1 million in the first six months of 2008 compared to the same period in 2007. This was due to a $1 million recovery of non-resident withholding tax in 2008.

Unrealized natural gas risk management activities

(in millions)	Three months ended June 30 2008	2007	Change	Six months ended June 30 2008	2007	Change
Natural gas hedges market value gains (losses)	$ 32	$ (13)	45	$ 68	$ 3	65
Natural gas hedges transitional market value losses reclassified to net income	-	(4)	4	(1)	(8)	7
Unrealized natural gas risk management activities	$ 32	$ (17)	$ 49	$ 67	$ (5)	$ 72

The unrealized natural gas risk management activities represent the change in the market value of the Corporation's outstanding natural gas hedges during the period. As of June 30, 2008, SaskPower had outstanding hedges of approximately 18 million GJ's to cap the price of natural gas on a portion of the Corporation's anticipated natural gas needs for the remainder of 2008 and in 2009. The unrealized market value gains on these outstanding hedges was $68 million for the first six months of 2008. The gains are the result of a rise in the price of natural gas. These unrealized gains (losses) are subject to significant volatility based on movements in the forward price of natural gas.

Liquidity and Capital Resources

The Corporation's cash position was $24 million as at June 30, 2008, down $60 million from December 31, 2007. The $60 million decrease was the result of $172 million used in investing activities and $73 million used in financing activities, partially offset by $185 million provided by operating activities.

a) Operating activities

	Three months ended June 30			Six months ended June 30		
(in millions)	2008	2007	Change	2008	2007	Change
Net income net of non-cash items	$ 82	$ 76	$ 6	$ 170	$ 160	$ 10
Net change in non-cash working capital	35	24	11	15	4	11
Cash provided by operating activities	**$ 117**	$ 100	$ 17	**$ 185**	$ 164	$ 21

Despite a $91 million increase in net income, operating cash flow was only up $21 million in the first six months of 2008 compared to the same period in 2007. The relatively modest increase in operating cash flow relative to the increase in net income was due largely to the increase in unrealized gains on natural gas hedges.

b) Investing activities

	Three months ended June 30			Six months ended June 30		
(in millions)	2008	2007	Change	2008	2007	Change
Generation	$ 74	$ 23	$ 51	$ 101	$ 42	$ 59
Transmission & Distribution	42	29	13	73	54	19
Other	8	6	2	12	11	1
Total capital expenditures	$ 124	$ 58	$ 66	$ 186	$ 107	$ 79
Customer contributions and net costs of removal	(7)	(2)	(5)	(11)	(5)	(6)
Equity investment distributions	(2)	(2)	-	(3)	(6)	3
Cash used in investing activities	**$ 115**	$ 54	$ 61	**$ 172**	$ 96	$ 76

SaskPower invested $186 million in the first six months of 2008 on various capital projects. This includes $40 million to connect customers to the SaskPower electric system; $61 million to extend the life of Unit #1 at the Poplar River Power Station; $9 million spent on gas turbines at Queen Elizabeth; and $8 million spent on the Ermine simple cycle gas turbine project. Overall, capital spending is up $79 million from the same period in 2007.

Total customer contributions, net of costs of removal, were $11 million in the first six months of 2008, up $6 million from the same period in 2007. Customer contributions are funds received from certain customers toward the costs of service extensions. These contributions are netted against property, plant and equipment and are amortized over the estimated service life of the related asset. The proceeds of removal represent the cash paid or received upon normal disposal of an asset.

In the first six months of 2008, $3 million in equity distributions have been received from the MRM Cogeneration Station compared to $6 million in the same period in 2007.

c) Financing activities

(in millions)	Three months ended June 30 2008	2007	Change	Six months ended June 30 2008	2007	Change
Proceeds from (repayment of) long-term and short-term advances	30	(58)	88	(74)	45	(119)
Debt retirement fund (installments) redemptions	(2)	(1)	(1)	48	(10)	58
Dividends paid	(16)	(22)	6	(47)	(32)	(15)
Cash provided by (used in) financing activities	$ 12	$ (81)	$ 93	$ (73)	$ 3	$ (76)

In the first six months of 2008, $73 million of cash was used in financing activities, compared to $3 million of cash provided by financing activities in the first six months of 2007. The $73 million cash outflow in the first half of 2008 was made up of net debt repayments and dividend payments to Crown Investments Corporation (CIC), offset by net debt retirement fund redemptions.

Debt/short-term advances

(in millions)

As at	June 30 2008	December 31 2007	Change
Gross long-term debt	$ 2,491	$ 2,565	$ (74)
Less: current portion of long-term debt	(14)	(340)	326
Total long-term debt	2,477	2,225	252
Per cent debt ratio[1]	58.4%	59.7%	(1.3%)

[1] Per cent debt ratio = (debt) / (debt + equity), where debt = (long-term + short-term advances + current portion of long-term debt – cash and cash equivalents – debt retirement funds) and where equity = (equity advances + retained earnings).

SaskPower's gross long-term debt position was $2,491 million at June 30, 2008, down $74 million from December 31, 2007. The decrease in gross debt was the result of the following:

- The Corporation repaid $326 million of long-term debt with interest rates ranging from 7.70% to 10.31%.
- Through its subsidiary, SaskPower International, the Corporation repaid $1 million of non-recourse debt.
- SaskPower obtained $165 million in short-term advances from the Saskatchewan Ministry of Finance to finance a portion of the debt repayment. On April 2, 2008, the Corporation replaced this short-term advance with $250 million of long-term debt at a premium of $3 million. The debt issue has a coupon rate of 4.75%, an effective interest rate of 4.67% and matures on June 1, 2040.

The Corporation's per cent debt ratio has decreased slightly from 59.7% at the end of 2007 to 58.4% as at June 30, 2008.

Liquidity and Capital Resources

The Corporation's cash position was $24 million as at June 30, 2008, down $60 million from December 31, 2007. The $60 million decrease was the result of $172 million used in investing activities and $73 million used in financing activities, partially offset by $185 million provided by operating activities.

a) Operating activities

	Three months ended June 30			Six months ended June 30		
(in millions)	**2008**	2007	Change	**2008**	2007	Change
Net income net of non-cash items	**$ 82**	$ 76	$ 6	**$ 170**	$ 160	$ 10
Net change in non-cash working capital	**35**	24	11	**15**	4	11
Cash provided by operating activities	**$ 117**	$ 100	$ 17	**$ 185**	$ 164	$ 21

Despite a $91 million increase in net income, operating cash flow was only up $21 million in the first six months of 2008 compared to the same period in 2007. The relatively modest increase in operating cash flow relative to the increase in net income was due largely to the increase in unrealized gains on natural gas hedges.

b) Investing activities

	Three months ended June 30			Six months ended June 30		
(in millions)	**2008**	2007	Change	**2008**	2007	Change
Generation	**$ 74**	$ 23	$ 51	**$ 101**	$ 42	$ 59
Transmission & Distribution	**42**	29	13	**73**	54	19
Other	**8**	6	2	**12**	11	1
Total capital expenditures	**$ 124**	$ 58	$ 66	**$ 186**	$ 107	$ 79
Customer contributions and net costs of removal	**(7)**	(2)	(5)	**(11)**	(5)	(6)
Equity investment distributions	**(2)**	(2)	-	**(3)**	(6)	3
Cash used in investing activities	**$ 115**	$ 54	$ 61	**$ 172**	$ 96	$ 76

SaskPower invested $186 million in the first six months of 2008 on various capital projects. This includes $40 million to connect customers to the SaskPower electric system; $61 million to extend the life of Unit #1 at the Poplar River Power Station; $9 million spent on gas turbines at Queen Elizabeth; and $8 million spent on the Ermine simple cycle gas turbine project. Overall, capital spending is up $79 million from the same period in 2007.

Total customer contributions, net of costs of removal, were $11 million in the first six months of 2008, up $6 million from the same period in 2007. Customer contributions are funds received from certain customers toward the costs of service extensions. These contributions are netted against property, plant and equipment and are amortized over the estimated service life of the related asset. The proceeds of removal represent the cash paid or received upon normal disposal of an asset.

In the first six months of 2008, $3 million in equity distributions have been received from the MRM Cogeneration Station compared to $6 million in the same period in 2007.

c) Financing activities

(in millions)	Three months ended June 30 2008	2007	Change	Six months ended June 30 2008	2007	Change
Proceeds from (repayment of) long-term and short-term advances	**30**	(58)	88	**(74)**	45	(119)
Debt retirement fund (installments) redemptions	**(2)**	(1)	(1)	**48**	(10)	58
Dividends paid	**(16)**	(22)	6	**(47)**	(32)	(15)
Cash provided by (used in) financing activities	**$ 12**	$ (81)	$ 93	**$ (73)**	$ 3	$ (76)

In the first six months of 2008, $73 million of cash was used in financing activities, compared to $3 million of cash provided by financing activities in the first six months of 2007. The $73 million cash outflow in the first half of 2008 was made up of net debt repayments and dividend payments to Crown Investments Corporation (CIC), offset by net debt retirement fund redemptions.

Debt/short-term advances

(in millions)

As at	June 30 2008	December 31 2007	Change
Gross long-term debt	**$ 2,491**	$ 2,565	$ (74)
Less: current portion of long-term debt	**(14)**	(340)	326
Total long-term debt	**2,477**	2,225	252
Per cent debt ratio[1]	**58.4%**	59.7%	(1.3%)

[1] Per cent debt ratio = (debt) / (debt + equity), where debt = (long-term + short-term advances + current portion of long-term debt – cash and cash equivalents – debt retirement funds) and where equity = (equity advances + retained earnings).

SaskPower's gross long-term debt position was $2,491 million at June 30, 2008, down $74 million from December 31, 2007. The decrease in gross debt was the result of the following:

- The Corporation repaid $326 million of long-term debt with interest rates ranging from 7.70% to 10.31%.
- Through its subsidiary, SaskPower International, the Corporation repaid $1 million of non-recourse debt.
- SaskPower obtained $165 million in short-term advances from the Saskatchewan Ministry of Finance to finance a portion of the debt repayment. On April 2, 2008, the Corporation replaced this short-term advance with $250 million of long-term debt at a premium of $3 million. The debt issue has a coupon rate of 4.75%, an effective interest rate of 4.67% and matures on June 1, 2040.

The Corporation's per cent debt ratio has decreased slightly from 59.7% at the end of 2007 to 58.4% as at June 30, 2008.

Debt Retirement Funds

(in millions)

As at	June 30 2008	December 31 2007	Change
Debt retirement funds, beginning of period	$ 237	$ 201	$ 36
Market value adjustment upon adoption of financial instrument standards	-	4	(4)
Debt retirement fund redemptions	(59)	-	(59)
Debt retirement fund installments	11	23	(12)
Debt retirement fund earnings	7	8	(1)
Debt retirement fund market value (losses) gains	(2)	1	(3)
Debt retirement funds, end of period	$ 194	$ 237	$ (43)

Debt retirement funds are monies set aside to retire outstanding debt upon maturity. SaskPower makes regular contributions to the funds, which are held and invested by the Province of Saskatchewan.

The Corporation's debt retirement funds decreased $43 million to $194 million at June 30, 2008. The decrease in the value of the funds is the result of $59 million in redemptions, less $11 million in contributions (classified as financing activities) and $5 million in earnings and market value adjustments (classified as non-cash operating activities) during the period.

Dividends

SaskPower pays dividends to CIC based on the CIC Dividend Policy. Dividends in the second quarter of 2008 were calculated based on 50% of forecasted net income, excluding unrealized gains and losses on held-for-trading financial instruments. Dividends are paid quarterly, with a one-quarter lag to allow for the financial statements to be audited before the annual dividend is finalized.

In the first half of 2008, SaskPower paid $47 million in dividends to CIC. This represents the dividend payable for the fourth quarter of 2007 and the first quarter of 2008. The Corporation declared an $8 million dividend payable to CIC for the second quarter of 2008. This dividend is payable to CIC on September 30, 2008.

Future Accounting Changes - International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt IFRS in place of Canadian generally accepted accounting principles (GAAP) for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year.

SaskPower has commenced its IFRS conversion project and developed a high level IFRS implementation plan. An external advisor has been engaged to assist with the development of this plan and to perform a detailed review of the major differences between current Canadian GAAP and IFRS. At this time, the impact on SaskPower's future financial position and result of operations is not reasonably determinable or estimable. However based on the analysis to date, the most significant areas of difference are related to the accounting for property, plant and equipment; power purchase agreements; asset retirement obligations; joint ventures; employee future benefits; and financial statement disclosure.

SaskPower has plans to make changes to certain processes and systems before 2010 to ensure transactions are recorded in accordance with IFRS for comparative reporting purposes on the required implementation date.

Non-GAAP Measures

The Corporation evaluates its performance using a variety of measures. Operating costs and operating income are non-GAAP measures which are not defined under GAAP. These measures should not be considered in isolation or as an alterative to or more meaningful than, total expense or net income as determined in accordance with GAAP as an indicator of SaskPower's financial performance. These measures are not necessarily comparable to a similarly titled measure of another company.

Consolidated Statement of Income and Retained Earnings

(in millions)	(Unaudited) Three months ended June 30 2008	2007	(Unaudited) Six months ended June 30 2008	2007
Revenue				
Saskatchewan electricity sales	$ 327	$ 319	$ 682	$ 672
Exports	12	17	18	26
Net sales from electricity trading (Note 6)	6	-	6	-
Other revenue	12	9	23	18
Total revenue	357	345	737	716
Expense				
Fuel and purchased power (Note 7)	131	102	269	235
Natural gas risk management activities (Note 8):				
Realized	(7)	3	(5)	5
Unrealized	(32)	17	(67)	5
Operating, maintenance and administration	102	113	204	213
Depreciation	57	55	112	109
Finance charges (Note 9)	40	51	78	93
Taxes	7	8	16	17
Total expense	298	349	607	677
Net income (loss)	59	(4)	130	39
Retained earnings, beginning of period	900	831	853	808
Change in accounting policy	-	-	-	2
Dividends	(8)	(17)	(24)	(39)
Retained earnings, end of period	$ 959	$ 810	$ 959	$ 810

See accompanying notes

Debt Retirement Funds

(in millions)

As at	June 30 2008	December 31 2007	Change
Debt retirement funds, beginning of period	**$ 237**	$ 201	$ 36
Market value adjustment upon adoption of financial instrument standards	**-**	4	(4)
Debt retirement fund redemptions	**(59)**	-	(59)
Debt retirement fund installments	**11**	23	(12)
Debt retirement fund earnings	**7**	8	(1)
Debt retirement fund market value (losses) gains	**(2)**	1	(3)
Debt retirement funds, end of period	**$ 194**	$ 237	$ (43)

Debt retirement funds are monies set aside to retire outstanding debt upon maturity. SaskPower makes regular contributions to the funds, which are held and invested by the Province of Saskatchewan.

The Corporation's debt retirement funds decreased $43 million to $194 million at June 30, 2008. The decrease in the value of the funds is the result of $59 million in redemptions, less $11 million in contributions (classified as financing activities) and $5 million in earnings and market value adjustments (classified as non-cash operating activities) during the period.

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SaskPower has commenced its IFRS conversion project and developed a high level IFRS implementation plan. An external advisor has been engaged to assist with the development of this plan and to perform a detailed review of the major differences between current Canadian GAAP and IFRS. At this time, the impact on SaskPower's future financial position and result of operations is not reasonably determinable or estimable. However based on the analysis to date, the most significant areas of difference are related to the accounting for property, plant and equipment, power purchase agreements, asset retirement obligations, joint ventures, employee future benefits, and financial statement disclosure.

SaskPower has plans to make changes to certain processes and systems before 2010 to ensure transactions are recorded in accordance with IFRS for comparative reporting purposes on the required implementation date.

Non-GAAP Measures

The Corporation evaluates its performance using a variety of measures. Operating costs and operating income are non-GAAP measures which are not defined under GAAP. These measures should not be considered in isolation or as an alterative to or more meaningful than, total expense or net income as determined in accordance with GAAP as an indicator of SaskPower's financial performance. These measures are not necessarily comparable to a similarly titled measure of another company.

Consolidated Statement of Income and Retained Earnings

(in millions)	(Unaudited) Three months ended June 30 2008	2007	(Unaudited) Six months ended June 30 2008	2007
Revenue				
Saskatchewan electricity sales	**$ 327**	$ 319	**$ 692**	$ 672
Exports	**12**	17	**16**	26
Net sales from electricity trading (Note 6)	**6**	-	**6**	-
Other revenue	**12**	9	**23**	18
Total revenue	**357**	345	**737**	716
Expense				
Fuel and purchased power (Note 7)	**131**	102	**269**	235
Natural gas risk management activities (Note 8):				
Realized	**(7)**	3	**(5)**	5
Unrealized	**(32)**	17	**(67)**	5
Operating, maintenance and administration	**102**	113	**204**	213
Depreciation	**57**	55	**112**	109
Finance charges (Note 9)	**40**	51	**78**	93
Taxes	**7**	8	**16**	17
Total expense	**298**	349	**607**	677
Net income (loss)	**59**	(4)	**130**	39
Retained earnings, beginning of period	**908**	831	**853**	808
Change in accounting policy	**-**	-	**-**	2
Dividends	**(8)**	(17)	**(24)**	(39)
Retained earnings, end of period	**$ 959**	$ 810	**$ 959**	$ 810

See accompanying notes

Consolidated Statement of Financial Position

(in millions)

As at	(Unaudited) June 30 2008	(Audited *) December 31 2007
Assets		
Current assets		
Cash and cash equivalents	$ 24	$ 84
Accounts receivable and unbilled revenue	172	188
Inventory	148	145
Risk management assets (Note 11)	56	4
	400	421
Property, plant and equipment		
Property, plant and equipment	6,909	6,688
Less: accumulated depreciation	3,189	3,088
	3,820	3,600
Construction in progress	193	134
	3,813	3,734
Debt retirement funds	194	237
Other assets	80	86
Total assets	$ 4,487	$ 4,478
Liabilities and equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 175	$ 169
Accrued interest	48	54
Risk management liabilities (Note 11)	-	14
Current portion of long-term debt	14	340
Dividends payable	8	31
	245	608
Long-term debt (Note 10)	2,477	2,225
Other liabilities	145	130
Total liabilities	2,867	2,963
Equity		
Equity advances	660	660
Retained earnings	959	853
Accumulated other comprehensive income (loss)	1	2
Total equity	1,620	1,515
Total liabilities and equity	$ 4,487	$ 4,478

Commitments and contingencies (Note 14)

See accompanying notes

** As presented in the audited December 31, 2007, consolidated statement of financial position*

Consolidated Statement of Comprehensive Income

(in millions)	(Unaudited) Three months ended June 30 2008	2007	(Unaudited) Six months ended June 30 2008	2007
Net income (loss)	$ 69	$ (4)	$ 130	$ 39
Other comprehensive income (loss):				
Net (gains) losses on natural gas hedges in prior periods reclassified to net income in the current period	-	4	(1)	7
Other comprehensive income (loss)	-	4	(1)	7
Total comprehensive income	$ 69	$ -	$ 129	$ 46

Consolidated Statement of Accumulated Other Comprehensive Income (Loss)

(in millions)	(Unaudited) Three months ended June 30 2008	2007	(Unaudited) Six months ended June 30 2008	2007
Accumulated other comprehensive income (loss), beginning of period	$ 1	$ (9)	$ 2	$ (12)
Other comprehensive income (loss)	-	4	(1)	7
Accumulated other comprehensive income (loss), end of period	$ 1	$ (5)	$ 1	$ (5)

Consolidated Statement of Financial Position

(in millions) As at	(Unaudited) June 30 2008	(Audited *) December 31 2007
Assets		
Current assets		
Cash and cash equivalents	**$ 24**	$ 84
Accounts receivable and unbilled revenue	**172**	188
Inventory	**146**	145
Risk management assets (Note 11)	**58**	4
	400	421
Property, plant and equipment		
Property, plant and equipment	**6,808**	6,688
Less: accumulated depreciation	**3,188**	3,088
	3,620	3,600
Construction in progress	**193**	134
	3,813	3,734
Debt retirement funds	**194**	237
Other assets	**80**	86
Total assets	**$ 4,487**	$ 4,478
Liabilities and equity		
Current liabilities		
Accounts payable and accrued liabilities	**$ 175**	$ 169
Accrued interest	**48**	54
Risk management liabilities (Note 11)	**-**	14
Current portion of long-term debt	**14**	340
Dividends payable	**8**	31
	245	608
Long-term debt (Note 10)	**2,477**	2,225
Other liabilities	**145**	130
Total liabilities	**2,867**	2,963
Equity		
Equity advances	**660**	660
Retained earnings	**959**	853
Accumulated other comprehensive income (loss)	**1**	2
Total equity	**1,620**	1,515
Total liabilities and equity	**$ 4,487**	$ 4,478

Commitments and contingencies (Note 14)

See accompanying notes

** As presented in the audited December 31, 2007, consolidated statement of financial position*

Consolidated Statement of Comprehensive Income

(in millions)	(Unaudited) Three months ended June 30 2008	2007	(Unaudited) Six months ended June 30 2008	2007
Net income (loss)	**$ 59**	$ (4)	**$ 130**	$ 39
Other comprehensive income (loss):				
Net (gains) losses on natural gas hedges in prior periods reclassified to net income in the current period	**-**	4	**(1)**	7
Other comprehensive income (loss)	**-**	4	**(1)**	7
Total comprehensive income	**$ 59**	$ -	**$ 129**	$ 46

Consolidated Statement of Accumulated Other Comprehensive Income (Loss)

(in millions)	(Unaudited) Three months ended June 30 2008	2007	(Unaudited) Six months ended June 30 2008	2007
Accumulated other comprehensive income (loss), beginning of period	**$ 1**	$ (9)	**$ 2**	$ (12)
Other comprehensive income (loss)	**-**	4	**(1)**	7
Accumulated other comprehensive income (loss), end of period	**$ 1**	$ (5)	**$ 1**	$ (5)

Consolidated Statement of Cash Flows

(in millions)	(Unaudited) Three months ended June 30 2008	2007	(Unaudited) Six months ended June 30 2008	2007
Operating activities				
Net income (loss)	**$ 59**	$ (4)	**$ 130**	$ 39
Add (deduct) items not involving cash:				
Depreciation	**57**	55	**112**	109
Natural gas hedges market value (gains) losses	**(32)**	13	**(68)**	(3)
Natural gas hedges transitional market value losses reclassified to net income	**-**	4	**1**	8
Electricity trading market value (gains) losses	**(2)**	1	**-**	1
Debt retirement fund earnings	**(3)**	(1)	**(7)**	(4)
Debt retirement fund market value losses	**4**	7	**2**	8
Defined benefit pension plan expense	**2**	2	**5**	4
Equity investment income	**(3)**	(1)	**(5)**	(3)
Other	**-**	-	**-**	1
	82	76	**170**	160
Net change in non-cash working capital	**35**	24	**15**	4
Cash provided by operating activities	**117**	100	**185**	164
Investing activities				
Property, plant and equipment	**(122)**	(57)	**(183)**	(105)
Interest capitalized	**(2)**	(1)	**(3)**	(2)
Customer contributions and net costs of removal	**7**	2	**11**	5
Equity investment distributions	**2**	2	**3**	6
Cash used in investing activities	**(115)**	(54)	**(172)**	(96)
Increase in cash before financing activities	**2**	46	**13**	68
Financing activities				
Proceeds from long-term debt	**253**	-	**253**	104
Repayment of long-term debt	**(58)**	(57)	**(326)**	(57)
Proceeds from short-term advance	**-**	-	**165**	-
Repayment of short-term advance	**(165)**	-	**(165)**	-
Repayment of non-recourse debt	**-**	(1)	**(1)**	(2)
Debt retirement fund installments	**(2)**	(1)	**(11)**	(10)
Debt retirement fund redemptions	**-**	-	**59**	-
Dividends paid	**(16)**	(22)	**(47)**	(32)
Cash provided by (used in) financing activities	**12**	(81)	**(73)**	3
Increase (decrease) in cash	**14**	(35)	**(60)**	71
Cash and cash equivalents, beginning of period	**10**	126	**84**	20
Cash and cash equivalents, end of period	**$ 24**	$ 91	**$ 24**	$ 91

Consolidated Statement of Cash Flows

(in millions)	(Unaudited) Three months ended June 30 2008	2007	(Unaudited) Six months ended June 30 2008	2007
Operating activities				
Net income (loss)	$ 59	$ (4)	$ 130	$ 39
Add (deduct) items not involving cash:				
Depreciation	57	55	112	109
Natural gas hedges market value (gains) losses	(32)	13	(68)	(3)
Natural gas hedges transitional market value losses reclassified to net income	-	4	1	8
Electricity trading market value (gains) losses	(2)	1	-	1
Debt retirement fund earnings	(3)	(1)	(7)	(4)
Debt retirement fund market value losses	4	7	2	8
Defined benefit pension plan expense	2	2	5	4
Equity investment income	(3)	(1)	(5)	(3)
Other	-	-	-	1
	82	76	170	160
Net change in non-cash working capital	35	24	15	4
Cash provided by operating activities	117	100	185	164
Investing activities				
Property, plant and equipment	(122)	(57)	(183)	(105)
Interest capitalized	(2)	(1)	(3)	(2)
Customer contributions and net costs of removal	7	2	11	5
Equity investment distributions	2	2	3	6
Cash used in investing activities	(115)	(54)	(172)	(96)
Increase in cash before financing activities	2	46	13	68
Financing activities				
Proceeds from long-term debt	253	-	253	104
Repayment of long-term debt	(58)	(57)	(326)	(57)
Proceeds from short-term advance	-	-	165	-
Repayment of short-term advance	(165)	-	(165)	-
Repayment of non-recourse debt	-	(1)	(1)	(2)
Debt retirement fund installments	(2)	(1)	(11)	(10)
Debt retirement fund redemptions	-	-	59	-
Dividends paid	(16)	(22)	(47)	(32)
Cash provided by (used in) financing activities	12	(81)	(73)	3
Increase (decrease) in cash	14	(35)	(60)	71
Cash and cash equivalents, beginning of period	10	126	84	20
Cash and cash equivalents, end of period	$ 24	$ 91	$ 24	$ 91

Notes to the Consolidated Financial Statements (Unaudited)

As at June 30, 2008

1. Status of the Corporation

Saskatchewan Power Corporation (SaskPower; the Corporation), a provincially-owned Crown corporation, generates, purchases, transmits, distributes and sells electricity and related products and services. Founded as the Saskatchewan Power Commission in 1929, SaskPower was set up in 1949 and operates primarily under the mandate and authority of *The Power Corporation Act*.

These consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, NorthPoint Energy Solutions Inc. (NorthPoint), Power Greenhouses Inc. (Shand Greenhouse), and SaskPower International Inc. (SaskPower International). All inter-company transactions have been eliminated on consolidation.

2. Summary of Significant Accounting Policies

These unaudited interim consolidated financial statements (interim financial statements) do not include all of the disclosures included in the Corporation's annual consolidated financial statements. Accordingly, these interim financial statements should be read in conjunction with the Corporation's most recent annual consolidated financial statements.

SaskPower's Saskatchewan electric sales to residential and commercial customers are seasonal, with the first and fourth quarters being the strongest periods, reflecting colder weather and fewer daylight hours.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). The timely preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Significant areas requiring the use of management estimates include electricity sales not yet billed; carrying amounts of property, plant and equipment, underlying estimates of useful lives and related depreciation; carrying amounts of asset retirement obligations and underlying estimates of future cash flows; the fair value of financial instruments; and carrying amounts of deferred pension costs and underlying actuarial assumptions. Actual results could differ from those estimates, which may impact the actual transactions and events reported in future periods.

The accounting policies used in the preparation of these interim financial statements conform with those used in the Corporation's most recent annual consolidated financial statements, with the exceptions described in Note 3.

Notes to the Consolidated Financial Statements (Unaudited)

As at June 30, 2008

3. Change in Accounting Policies

Financial instruments – disclosure and presentation
Effective January 1, 2008, SaskPower adopted the new CICA Section 3862, "Financial Instruments – Disclosures" and Section 3863 "Financial Instruments – Presentation." These sections replace Section 3861, "Financial Instruments – Disclosure and Presentation." The impact of implementing these new standards has been disclosed in *Notes 11* and *12*.

Capital disclosures
Effective January 1, 2008, SaskPower adopted Section 1535, "Capital Disclosures." The new required disclosure regarding what the Corporation defines as capital and its objectives, policy and process for managing capital is provided in *Note 13*.

Inventories
Effective January 1, 2008, SaskPower adopted Section 3031, "Inventories." The new accounting standard provides guidance on the method of determining the cost of the Corporation's inventory; specifies that inventories are to be valued at the lower of cost and net realizable value; and requires the reversal of previously recorded write-downs to realizable value when there is clear evidence that net realizable value has increased. The adoption of this new standard had no material impact on these consolidated financial statements.

4. Change in Accounting Estimate (in millions)

Effective January 1, 2008, following the completion of an asset retirement obligation study, the fair value of the estimated cost to decommission the Corporation's coal, gas, and wind generation facilities has been changed. The impact of this change in estimate increased property, plant and equipment and other liabilities by $14 and had no material impact on depreciation expense in the first half of 2008.

5. Dividend Policy

SaskPower pays dividends to CIC based on the CIC dividend policy. For the six months ended June 30, 2008, dividends were calculated based on 50% of forecasted net income for the year, excluding unrealized gains and losses on held-for-trading financial instruments.

6. Net Sales from Electricity Trading (in millions)

	Three months ended June 30		Six months ended June 30	
	2008	2007	**2008**	2007
Electricity trading revenue	**$ 41**	$ 36	**$ 69**	$ 65
Electricity trading costs	**(37)**	(35)	**(63)**	(64)
Electricity trading market value gains (losses)	**2**	(1)	**-**	(1)
	$ 6	$ -	**$ 6**	$ -

Notes to the Consolidated Financial Statements (Unaudited)

As at June 30, 2008

7. Fuel and Purchased Power (in millions)

	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
Gas	$ 75	$ 55	$ 162	$ 135
Coal	44	38	90	81
Imports	8	2	16	7
Hydro	4	6	8	9
Other	2	1	3	3
	$ 131	$ 102	$ 289	$ 235

Gas costs include the fuel charges associated with the electricity generated from the SaskPower-owned gas-fired facilities and the cost of electricity obtained through power purchase agreements with the Cory Cogeneration Station and the Meridian Cogeneration Station. Imports represent electricity purchased from suppliers that produce power outside Saskatchewan. Other includes electricity obtained through power purchase agreements with the SunBridge Wind Power Project and the NRGreen Kerrobert and Loreburn Heat Recovery Projects.

8. Natural Gas Risk Management Activities (in millions)

	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
Realized natural gas risk management activities	$ (7)	$ 3	$ (5)	$ 5
Natural gas hedges market value (gains) losses	$ (32)	$ 13	$ (68)	$ (3)
Natural gas hedges transitional market value losses reclassified to net income	-	4	1	8
Unrealized natural gas risk management activities	$ (32)	$ 17	$ (67)	$ 5

9. Finance Charges (in millions)

	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
Interest on long-term debt	$ 41	$ 47	$ 87	$ 93
Interest capitalized	(2)	(1)	(3)	(2)
Debt retirement fund earnings	(3)	(1)	(7)	(4)
Debt retirement fund market value losses	4	7	2	8
Interest income	-	(1)	(1)	(2)
	$ 40	$ 51	$ 78	$ 93

Notes to the Consolidated Financial Statements (Unaudited)

As at June 30, 2008

3. Change in Accounting Policies

Financial instruments – disclosure and presentation
Effective January 1, 2008, SaskPower adopted the new CICA Section 3862, "Financial Instruments – Disclosures" and Section 3863 "Financial Instruments – Presentation." These sections replace Section 3861, "Financial Instruments – Disclosure and Presentation." The impact of implementing these new standards has been disclosed in *Notes 11* and *12*.

Capital disclosures
Effective January 1, 2008, SaskPower adopted Section 1535, "Capital Disclosures." The new required disclosure regarding what the Corporation defines as capital and its objectives, policy and process for managing capital is provided in *Note 13*.

Inventories
Effective January 1, 2008, SaskPower adopted Section 3031, "Inventories." The new accounting standard provides guidance on the method of determining the cost of the Corporation's inventory; specifies that inventories are to be valued at the lower of cost and net realizable value; and requires the reversal of previously recorded write-downs to realizable value when there is clear evidence that net realizable value has increased. The adoption of this new standard had no material impact on these consolidated financial statements.

4. Change in Accounting Estimate (in millions)

Effective January 1, 2008, following the completion of an asset retirement obligation study, the fair value of the estimated cost to decommission the Corporation's coal, gas, and wind generation facilities has been changed. The impact of this change in estimate increased property, plant and equipment and other liabilities by $14 and had no material impact on depreciation expense in the first half of 2008.

5. Dividend Policy

SaskPower pays dividends to CIC based on the CIC dividend policy. For the six months ended June 30, 2008, dividends were calculated based on 50% of forecasted net income for the year, excluding unrealized gains and losses on held-for-trading financial instruments.

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	2008	2007	**2008**	2007
Electricity trading revenue	**$ 41**	$ 36	**$ 69**	$ 65
Electricity trading costs	**(37)**	(35)	**(63)**	(64)
Electricity trading market value gains (losses)	**2**	(1)	**-**	(1)
	$ 6	$ -	**$ 6**	$ -

Notes to the Consolidated Financial Statements (Unaudited)

As at June 30, 2008

7. Fuel and Purchased Power (in millions)

	Three months ended June 30		Six months ended June 30	
	2008	2007	**2008**	2007
Gas	**$ 75**	$ 55	**$ 152**	$ 135
Coal	**44**	38	**90**	81
Imports	**5**	2	**16**	7
Hydro	**5**	6	**8**	9
Other	**2**	1	**3**	3
	$ 131	$ 102	**$ 269**	$ 235

Gas costs include the fuel charges associated with the electricity generated from the SaskPower-owned gas-fired facilities and the cost of electricity obtained through power purchase agreements with the Cory Cogeneration Station and the Meridian Cogeneration Station. Imports represent electricity purchased from suppliers that produce power outside Saskatchewan. Other includes electricity obtained through power purchase agreements with the SunBridge Wind Power Project and the NRGreen Kerrobert and Loreburn Heat Recovery Projects.

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Natural gas hedges transitional market value losses reclassified to net income	**-**	4	**1**	8
Unrealized natural gas risk management activities	**$ (32)**	$ 17	**$ (67)**	$ 5

9. Finance Charges (in millions)

	Three months ended June 30		Six months ended June 30	
	2008	2007	**2008**	2007
Interest on long-term debt	**$ 41**	$ 47	**$ 87**	$ 93
Interest capitalized	**(2)**	(1)	**(3)**	(2)
Debt retirement fund earnings	**(3)**	(1)	**(7)**	(4)
Debt retirement fund market value losses	**4**	7	**2**	8
Interest income	**-**	(1)	**(1)**	(2)
	$ 40	$ 51	**$ 78**	$ 93

Notes to the Consolidated Financial Statements (Unaudited)

As at June 30, 2008

10. Long-term Debt (in millions)

In the first six months of 2008, the Corporation repaid $326 of long-term debt with interest rates ranging from 7.70% to 10.31% and $1 of non-recourse debt.

On March 31, 2008, the Corporation, through the Saskatchewan Ministry of Finance (General Revenue Fund), borrowed $165 of short-term debt. The borrowing had a coupon rate of 3.0% and matured on April 2, 2008.

On April 2, 2008, the Corporation, through the Saskatchewan Ministry of Finance (General Revenue Fund), borrowed $250 of long-term debt at a premium of $3. The borrowing has a coupon rate of 4.75%, an effective interest rate of 4.67% and matures on June 1, 2040.

11. Financial Instruments (in millions)

The following summarizes the classification, carrying amounts and fair values of the Corporation's financial instruments:

		June 30, 2008		December 31, 2007	
		Asset (liability)		Asset (liability)	
Financial instruments	Classification[5]	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Cash and cash equivalents	HFT[1]	$ 24	$ 24	$ 84	$ 84
Accounts receivable and unbilled revenue	L&R[2]	172	172	188	188
Debt retirement funds	HFT[1]	194	194	237	237
Investment	HFT[1]	2	2	2	2
Financial liabilities					
Accounts payable and accrued liabilities	OL[3]	$ (175)	$ (175)	$ (169)	$ (169)
Accrued interest	OL[3]	(48)	(48)	(54)	(54)
Dividends payable	OL[3]	(8)	(8)	(31)	(31)
Recourse debt [4]	OL[3]	(2,386)	(2,903)	(2,462)	(3,037)
Non-recourse debt [4]	OL[3]	(86)	(90)	(87)	(97)

1. HFT – held-for-trading.
2. L&R – loans and receivables.
3. OL – other liabilities.
4. The amounts reflected do not include $19 (2007 - $16) of unamortized debt premiums net of issue costs.
5. The Corporation has not classified any of its financial instruments as at June 30, 2008 as either held-to-maturity or available-for-sale.

Fair values are determined as follows:

(a) Debt retirement funds are valued at the closing period-end unit prices received from the Saskatchewan Ministry of Finance;
(b) Investment is valued using an internal valuation model, based on management's assumptions;
(c) Long-term debt instruments are valued at period-end market prices for the underlying debt issues or, when unavailable, for similar instruments; and
(d) Other financial instruments – including cash and cash equivalents; accounts receivable and unbilled revenue; accounts payable and accrued liabilities; accrued interest and dividends payable – approximate fair value due to the short period to maturity.

Derivative financial instruments

The following summarizes the market value gains and losses on the Corporation's risk management activities:

	Classification	June 30, 2008 Asset	June 30, 2008 Liability	December 31, 2007 Asset	December 31, 2007 Liability	Market value gains (losses)
Natural gas contracts						
Two-way collars	HFT[1]	$ 14	$ -	$ 4	$ (4)	$ 14
Fixed price swap instruments	HFT[1]	44	-	-	(10)	54
Electricity trading contracts						
Contracts for differences	HFT[1]	-	-	-	-	-
Forward agreements	HFT[1]	-	-	-	-	-
		$ 58	$ -	$ 4	$ (14)	$ 68

1. HFT – held-for-trading.

Fair values are determined as follows:

(a) Natural gas derivative option instruments (i.e. collars) are valued based on estimates provided by the financial counterparties;
(b) Natural gas swap instruments are valued using an internal pricing model that uses market data, including average forward monthly natural gas prices obtained from financial counterparties; and
(c) Electricity trading derivatives, including contracts for differences and forward agreements are valued at period-end market prices.

12. Financial Risk Management (in millions)

By virtue of its operations, the Corporation is exposed to changes in commodity prices, interest rates, and foreign exchange rates. SaskPower may utilize derivative financial instruments to manage these exposures. The Corporation mitigates risk associated with derivative financial instruments through Board-approved policies, limits on use and amount of exposure, internal monitoring, and compliance reporting to senior management and the Board.

Market risk

Natural gas contracts

The Corporation is exposed to natural gas price risk through gas purchased for its natural gas-fired power plants and through certain power purchase agreements that have a cost component based on the price of natural gas. As at June 30, 2008, the Corporation had entered into natural gas contracts to hedge approximately 40% of its forecasted natural gas purchases for 2008 and 26% for 2009.

Based on the Corporation's June 30, 2008 closing positions on its natural gas hedges, a one dollar per gigajoule (GJ) increase in the price of natural gas would have resulted in an $18 increase in the unrealized market value gains recognized in net income for the quarter. This sensitivity analysis does not represent the underlying exposure to changes in the price of natural gas on the remaining forecasted natural gas purchases which are unhedged as at June 30, 2008.

Electricity trading contracts

The Corporation is also exposed to electricity price risk on its electricity trading activities. Electricity trading risks are managed through limits on the size and duration of transactions and open positions. The Corporation does not believe that the impact of fluctuations in electricity prices on outstanding electricity trading contracts will be significant and, therefore, has not provided a sensitivity analysis of the impact on net income.

Debt retirement funds
Debt retirement funds are monies set aside to retire outstanding debt upon maturity. The Corporation is required to pay annually into debt retirement funds which are held and invested by the Province of Saskatchewan – General Revenue Fund. The Corporation has classified these investments as held-for-trading and therefore recognized the change in the market value in net income for the period. The Corporation does not believe that the impact of fluctuations in market prices related to these investments will be significant and, therefore, has not provided a sensitivity analysis of the impact on net income.

Interest rate
The Corporation is exposed to interest rate risk arising from fluctuations in interest rates on future short and long-term borrowings. Interest rate risk on these expected future borrowings are managed based on the refinancing needs of the Corporation using derivative financial instruments when deemed appropriate. The Corporation has not provided a sensitivity analysis of the impact of interest rate changes on net income as substantially all of the Corporation's debt is at fixed rates as at June 30, 2008.

Foreign exchange
The Corporation faces exposure to the U.S./Canadian dollar exchange rate primarily through the sale of electricity to customers in the U.S., as well as from the purchase of goods and services that are payable in U.S. dollars. The Corporation may utilize financial instruments to manage this risk. As at June 30, 2008, the Corporation had no outstanding foreign exchange derivative contracts. The Corporation does not believe that the impact of fluctuations in foreign exchange rates on anticipated sales or purchases will be significant and, therefore, has not provided a sensitivity analysis of the impact on net income.

Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentrations of credit risk relate to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The Corporation does not believe it is exposed to a significant concentration of credit risk. The maximum credit risk to which the Corporation is exposed as at June 30, 2008, is limited to the fair value of the financial assets recognized as follows:

Financial assets	June 30, 2008
Cash and cash equivalents	$ 24
Accounts receivable and unbilled revenue	172
Risk management assets	58
Debt retirement funds	194
Investment	2
	$ 450

(a) Cash and cash equivalents include short-term investments that have a maturity date of 90 days or less from the date of acquisition. Short-term investments are invested in accordance with Board-approved credit policies and limits in respect to short-term investments. The credit risk related to these investments is considered low.

(b) Accounts receivable and unbilled revenue is diversified among many residential, farm and commercial customers primarily throughout Saskatchewan. The following reflects an aging summary of the Corporation's customer accounts receivable balances for both electricity and non-electricity sales at June 30, 2008:

Current	$	165
30 - 59 days		3
60 - 89 days		3
Greater than 90 days		4
	$	175
Allowance for doubtful accounts		(2)
Customer down payment		(4)
Miscellaneous receivables		3
	$	172

The allowance for doubtful accounts is reviewed quarterly based on an estimate of outstanding amounts that are considered uncollectible. Historically, the Corporation has not written-off a significant portion of its accounts receivable balances.

(c) The investment in Aurora Trust Series A Asset-Backed Commercial Paper (Aurora) was purchased on May 31, 2007 with a maturity date of August 31, 2007. As a result of market concerns about asset-backed commercial paper in Canada and the United States that resulted in the inability of the non-bank trust administrators to refinance mature borrowings, SaskPower did not receive the principal it had invested in Aurora at maturity. A consortium of financial institutions in Canada has finalized a plan intended to help establish normal operations in the Canadian asset-backed commercial paper market. This plan has been approved by the court however, the ruling is currently under appeal. It is uncertain what the outcome of the appeal will be. If the appeal is rejected, the Aurora investment will be converted to a longer-term interest paying note, which would be paid off as the underlying assets mature. The investment is recorded at its estimated fair value at June 30, 2008 and is recognized in other assets on the statement of financial position.

(d) Debt retirement funds are on deposit with Province of Saskatchewan - General Revenue Fund and invested as the Minister of Finance may determine. At June 30, 2008, the Minister has invested these funds primarily in Provincial government and Federal government bonds with varying maturities to coincide with related long-term debt maturities and are managed based on this maturity profile and market conditions. As such, the related credit risk associated with these investments as at June 30, 2008 is considered low.

(e) SaskPower is also exposed to credit risk arising from derivative financial instruments if a counterparty fails to meet its obligations. The Corporation maintains Board-approved credit policies and limits in respect to its counterparties.

Liquidity risk

Liquidity risk is the risk that the Corporation is unable to meet its financial commitments as they become due or can do so only at excessive cost. SaskPower manages the Corporation's cash resources based on financial forecasts and anticipated cash flows. The following summarizes the contractual maturities of the Corporation's financial liabilities as at June 30, 2008:

Financial liabilities	2008	2009	2010	2011	2012 and Beyond
Accounts payable and accrued liabilities	$ 175	$ -	$ -	$ -	$ -
Accrued interest	48	-	-	-	-
Risk management liabilities	-	-	-	-	-
Dividends payable	8	-	-	-	-
Recourse debt[1]	11	3	-	-	2,372
Non-recourse debt[1]	2	4	4	4	72
	$ 244	$ 7	$ 4	$ 4	$ 2,444

1. The amounts reflected do not include $19 of unamortized debt premiums net of issue costs.

Management believes its ability to generate and acquire funds will be adequate to support these financial liabilities.

13. Capital Management (in millions)

The Corporation's objectives when managing capital are to ensure adequate capital to support the operations and growth strategies for the Corporation.

SaskPower raises most of its capital requirements through internal operating activities and by borrowing long-term debt through the Saskatchewan Ministry of Finance. This type of borrowing allows the Corporation to take advantage of the Province of Saskatchewan's strong credit rating and receive financing at attractive interest rates. *The Power Corporation Act* provides the Corporation with the authority to have outstanding borrowings of up to $5,000 of which $400 may be by way of temporary loans. SaskPower also has available credit of $51 at financial institutions that it can draw upon.

The Corporation's capital structure consists of gross long-term debt net of debt retirement funds and cash and cash equivalents; and equity, excluding accumulated other comprehensive income.

The Corporation monitors its capital structure using the per cent debt ratio. The current long-term per cent debt ratio target is 60%. The per cent debt ratio is calculated as net debt[1] divided by total capital as follows:

	June 30, 2008
Gross long-term debt	$ 2,491
Debt retirement funds	(194)
Cash and cash equivalents	(24)
Total net debt[1]	**$ 2,273**
Equity advances	660
Retained earnings	959
Total capital	**$ 3,892**
Per cent debt ratio	**58.4%**

1. Net debt is a non-GAAP measure, whose nearest GAAP measure is long-term debt.

The per cent debt ratio at June 30, 2008 was 58.4% which is better than 59.7% at December 31, 2007 and on target for the year.

14. Commitments and Contingencies (in millions)

(a) A legal action was commenced in 1996 by an individual, in a representative capacity, on behalf of members of the Power Corporation Superannuation Plan (PCSP; the defined benefit pension plan). The claim alleges the Corporation has inappropriately ceased making contributions to the PCSP; incorrectly offered employees early retirement with unreduced pensions; and did not provide sufficient information to allow employees to make an informed decision regarding the choice to either stay within the PCSP or move into the Public Employees Pension Plan.

Since 1996, various legal proceedings have taken place to properly define the claim. A pre-trial conference took place in the second quarter of 2008. The trial is expected to take place in 2009. It is the Corporation's position that the final outcome from the claim is not determinable. As such, no provision has been set up to cover any potential settlement or adverse disposition.

(b) SaskPower has various other legal matters pending, which in the opinion of management, will not have a material effect on SaskPower's consolidated financial position or results of operations.

15. Comparative Figures

Certain amounts for the prior year have been reclassified to conform with current period financial statement presentation.

SYSTEM MAP

(as at June 30, 2008)

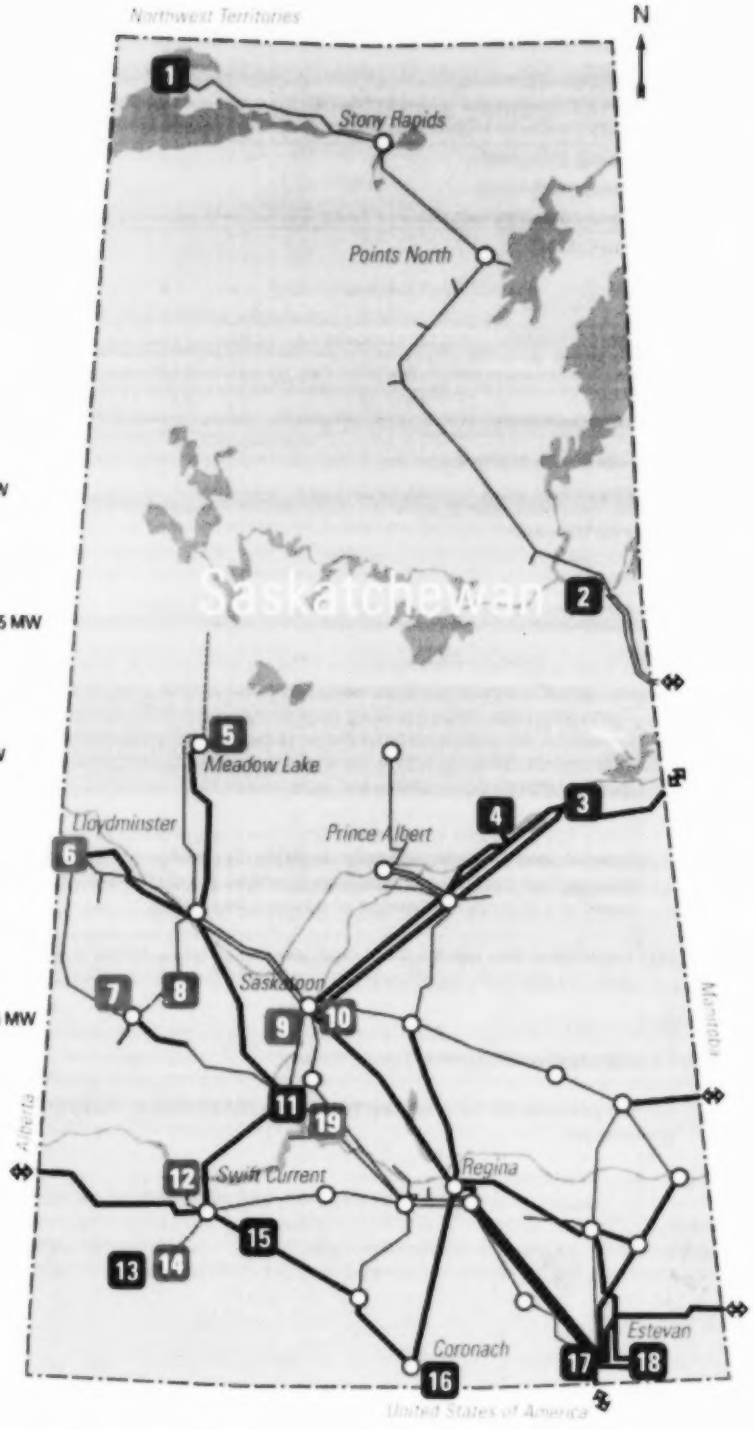
GENERATION (net capacity)

- Hydroelectric
- Natural gas
- Wind
- Coal
- Independent Power Producer

1. Athabasca Hydroelectric System - 23 MW
   - Wellington (5 MW)
   - Waterloo (8 MW)
   - Charlot River (10 MW)
2. Island Falls Hydroelectric Station - 102 MW
3. E.B. Campbell Hydroelectric Station - 288 MW
4. Nipawin Hydroelectric Station - 255 MW
5. Meadow Lake Power Station - 44 MW
6. Meridian Cogeneration Station - 210 MW
7. NRGreen Kerrobert Heat Recovery Project - 5 MW
8. Landis Power Station - 79 MW
9. Cory Cogeneration Station - 228 MW
10. Queen Elizabeth Power Station - 385 MW
11. Coteau Creek Hydroelectric Station - 186 MW
12. Success Power Station - 30 MW
13. Cypress Wind Power Facility - 11 MW
14. SunBridge Wind Power Project - 11 MW
15. Centennial Wind Power Facility - 150 MW
16. Poplar River Power Station - 572 MW
17. Boundary Dam Power Station - 813 MW
18. Shand Power Station - 276 MW
19. NRGreen Loreburn Heat Recovery Project - 5 MW

TRANSMISSION

- 230 kV
- 138 kV
- 138 kV line operating at 72 kV
- Switching station
- Interconnection



GLOSSARY OF TERMS

AECO C
A major Canadian pricing point for natural gas purchases.

Capacity
The greatest load that can be supplied by a generating unit, power station or an entire provincial grid system.

Cogeneration
The simultaneous generation of electricity and useful heat or steam. The heat could be put to use in an industrial process or to heat a facility or community. The electricity could be used by the owner or sold to SaskPower.

Gigawatt (GW)
A unit of bulk power; one billion watts or one million kilowatts.

Gigawatt Hour (GWh)
A unit of bulk energy; 1,000,000 kilowatt hours. One GWh is equivalent to the energy consumed by 125 typical houses in one year.

Kilowatt (KW)
A unit of bulk power; one thousand watts.

Kilowatt Hour (kWh)
A unit of bulk energy; 1,000 watt hours. The measurement is generally used for billing residential customers.

Load
The amount of electric power or energy consumed by a particular customer or group of customers.

Megawatt (MW)
A unit of bulk power; 1,000 kilowatts. The unit generally used to describe the output of a commercial generator.

Megawatt Hour (MWh)
A unit of bulk energy; 1,000 kilowatt hours. The unit generally used to describe the output of a commercial generator.

Midwest Independent System Operator (MISO)
The Midwest Independent System Operator, Inc. is a Regional Transmission Organization approved by the Federal Energy Regulatory Commission. Utilities from Manitoba to Kentucky participate in the MISO.

Peak Load Demand
The maximum amount of electric power or energy consumed by a particular customer or group of customers at a precise time.

Transmission
Process of moving electric power in bulk at higher voltages from the source of supply to distribution centres.

Watt (W)
The unit of measurement of electrical power.

SaskPower

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